

STATE BUDGET AND CONTROL BOARD
MEETING OF May 15, 2003

REGULAR SESSION
ITEM NUMBER 10

AGENCY: Budget and Control Board

SUBJECT: Not Exceeding \$50,000,000 General Obligation State Highway Refunding Bonds, Series 2003B

In 1997, the Budget and Control Board approved the issuance of \$45 million of State Highway Bonds to fund the Cross Island Parkway in Hilton Head (bond series 1996B). At the time, the bond interest rates were significantly higher than the rates that exist in today's bond market.

At the request of SCDOT, the State Treasurer's Office conducted an analysis of the Department of Transportation's (DOT) outstanding debt and concluded that the department could realize substantial savings in debt service by refinancing the 1996B bonds. The current interest rate of the 1996B bonds is 5.65%, and the analysis estimated that the new interest rate could be as low as 3.8%. This reduction in the interest rate would save the department and the State approximately \$1.2 million in interest cost over the life of the bonds.

In an effort to continue to find ways to save their limited financial resources, the Department of Transportation Commission has approved a resolution requesting the Board to approve the refinancing of the 1996 bonds. A copy of the resolution is included as an attachment.

The Board is asked to adopt a resolution to provide for the issuance and sale of not exceeding \$50,000,000 General Obligation State Highway Refunding Bonds, Series 2003B.

BOARD ACTION REQUESTED:

Adopt a resolution to provide for the issuance and sale of not exceeding \$50,000,000 General Obligation State Highway Refunding Bonds, Series 2003B.

ATTACHMENTS:

Probst 4/21/03 letter with Resolution; Corley 4/23/03 letter; Budget and Control Board Resolution



**South Carolina
Department of Transportation**

May 6, 2003

Delbert H. Singleton, Jr.
Secretary
South Carolina Budget and Control Board
612 Wade Hampton Office Building
Columbia, South Carolina 29211

Re: Refinance Bonds, Series 1996B, of the State of South Carolina

Dear Mr. Singleton:

Enclosed herewith is a copy of a Resolution adopted April 17, 2003 by the Commission of the South Carolina Department of Transportation (SCDOT) requesting the Budget and Control Board to refinance the above captioned Bonds.

In 1997, the Budget and Control Board approved the issuance of \$45 million of State Highway Bonds to fund the Cross Island Parkway in Hilton Head (bond series 1996B). At that time, the bond interest rates were significantly higher than the rates that exist in today's bond market.

In an effort to continue to find ways to save our limited financial resources, the South Carolina Department of Transportation Commission approved the resolution requesting the Budget and Control Board to refinance the 1996B bonds.

At the request of SCDOT, the State Treasurer's Office conducted an analysis of our outstanding debt and concluded that the department could realize substantial savings in debt service by refinancing the 1996B bonds. The current interest rate of the 1996B bonds is 5.65%, and the analysis estimated that the new interest rate could be as low as 3.8%. The projected net present value savings over the life of the bond would be approximately \$1.2 million.

I respectfully request that the refinancing of the 1996B bonds be place on the agenda of the May 15th Budget and Control Board meeting. At that time we request that the Budget and Control Board approve the refinancing of 1996B bonds.

Should you have any questions concerning this matter or if you would like any additional information, please contact Keith Bishop at 737-2357.

Sincerely,

Robert J. Probst
Deputy Director

Cc: Keith Bishop

Enclosure



**COMMISSION OF THE SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION
(SCDOT)**

CERTIFICATE

I, the undersigned, Secretary of the Commission of the South Carolina Department of Transportation (SCDOT), hereby certify that:

1. I am the duly elected and acting Secretary of the Commission of the SCDOT and the recorder and custodian of its official records.

2. Attached hereto is a true and correct copy of a resolution duly adopted by the Commission of the SCDOT at a meeting of said Commission duly and properly called and held on April 17, 2003 (the "Resolution"), notice of which meeting was duly, timely and properly given and at which meeting a quorum of the members of the Commission was present and acting throughout.

3. As of the date hereof, the Resolution has not been amended, modified or revoked and remains in full force and effect.

In witness whereof, I have affixed my signature for delivery this 30th day of April, 2003.

SOUTH CAROLINA DEPARTMENT OF
TRANSPORTATION COMMISSION



Secretary

RESOLUTION

REQUESTING THE SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD TO
REFUND THE OUTSTANDING THIRTY-NINE MILLION SIX HUNDRED SEVENTY-
FIVE THOUSAND DOLLARS PRINCIPAL AMOUNT OF THE GENERAL OBLIGATION
STATE HIGHWAY BONDS, SERIES 1996B, PURSUANT TO THE PROVISIONS OF TITLE
57, CHAPTER 11, ARTICLE 3 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS
AMENDED.

Submitted By

THE COMMISSION OF THE SOUTH CAROLINA
DEPARTMENT OF TRANSPORTATION

April 17, 2003

RESOLUTION

REQUESTING THE SOUTH CAROLINA STATE BUDGET AND CONTROL BOARD TO REFUND THE OUTSTANDING THIRTY-NINE MILLION SIX HUNDRED SEVENTY-FIVE THOUSAND DOLLARS PRINCIPAL AMOUNT OF THE GENERAL OBLIGATION STATE HIGHWAY BONDS, SERIES 1996B, PURSUANT TO THE PROVISIONS OF TITLE 57, CHAPTER 11, ARTICLE 3 OF THE CODE OF LAWS OF SOUTH CAROLINA 1976, AS AMENDED.

Section 1. Authorization.

The submission of this request to the South Carolina State Budget and Control Board (the "State Board") for the issuance of general obligation state highway refunding bonds in an amount sufficient to refund \$39,675,000 principal amount of the General Obligation State Highway Bonds, Series 1996B (the "Refunded Bonds"), is authorized by the provisions of Section 57-11-220 of the Code of Laws of South Carolina 1976, as amended.

Section 2. Reason For Request For General Obligation State Highway Refunding Bonds To Be Issued.

The Commission (the "Commission") of the Department of Transportation (the "Department") has been advised that, due to current interest rates on such bonds, substantial debt service savings can be effected by refunding the Refunded Bonds.

The Commission believes it is in the interest of the Department to request the State Board to effect the issuance of General Obligation State Highway Refunding Bonds (the "Refunding Bonds") in an amount sufficient to refund the Refunded Bonds.

Section 3. Tentative Time Schedule During Which the Proceeds of the Refunding Bonds will be expended.

The proceeds of the Refunding Bonds will be expended on July 1, 2006 at which time the Refunded Bonds will be called for redemption.

Section 4. Annual Principal and Interest Requirements for all Outstanding State Highway Bonds.

Attached hereto as Exhibit A is a debt service table showing the annual principal and interest requirements for all general obligation state highway bonds to be outstanding as of June 2, 2003.

Section 5. Revenues Derived from each Source of Revenue during the fiscal year ended June 30, 2002.

Attached hereto as Exhibit B is a table setting forth the amount of revenues derived from each of the sources of revenue, as defined in Section 57-11-210 of the Code of Laws of South Carolina 1976, as amended (the "Sources of Revenue"), during the fiscal year ended June 30, 2002.

Section 6. Revenues Estimated to be Derived from the Sources of Revenue in Future Years.

Attached hereto as Exhibit C is a table setting forth amounts estimated by the Commission which will be derived from the Sources of Revenue during the fiscal year ending June 30, 2003 and the next ensuing fiscal years during which the Bonds are expected to be outstanding. The Sources of Revenue for the fiscal year ending June 30, 2003 and the next five fiscal years thereafter are estimated to not increase more than five percent (5%) above the actual sums derived from the Sources of Revenue in the preceding fiscal year. During the sixth and subsequent fiscal years there is estimated that revenues derived from the sources of revenue will not increase over the revenues derived from the Sources of Revenue during the fifth succeeding fiscal year following the last completed fiscal year.

Section 7. Request to issue the Proposed Refunding Bonds.

The Commission hereby formally requests the State Board to issue the Refunding Bonds in an aggregate principal amount sufficient to refund the Refunded Bonds on July 1, 2006.

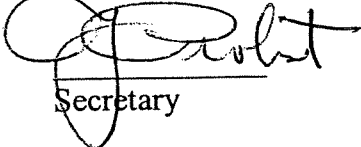
Section 8. Request Authorized and Directed to be filed with the State Board.

The Secretary to the Commission is hereby authorized and directed to file a certified copy of this resolution with the Secretary of the State Board within 15 days of its adoption.

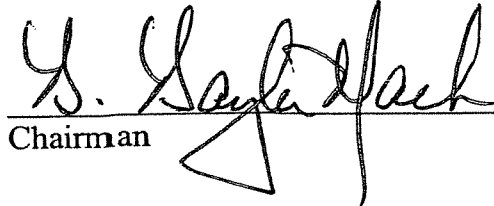
Section 9. Effective Date of Resolution.

This Resolution shall become effective upon its adoption.

ATTEST:


Secretary

COMMISSION OF THE DEPARTMENT
OF TRANSPORTATION


Chairman

This Resolution Adopted this 17 day of April, 2003.

EXHIBIT A

DEBT SERVICE SCHEDULE
FOR ALL OUTSTANDING
GENERAL OBLIGATION STATE
HIGHWAY BONDS AS OF JUNE 2, 2003

Fiscal Year Ending June 30	Total Principal	Total Interest	Total Principal and Interest
2004	\$ 24,810,000.00	\$ 30,405,202.51	\$ 55,215,202.51
2005	25,720,000.00	29,159,628.76	54,879,628.76
2006	26,825,000.00	27,846,522.51	54,671,522.51
2007	29,775,000.00	26,511,072.51	56,286,072.51
2008	34,875,000.00	25,045,422.51	59,920,422.51
2009	37,025,000.00	23,258,178.76	60,283,178.76
2010	38,120,000.00	21,451,803.76	59,571,803.76
2011	39,485,000.00	19,599,128.76	59,084,128.76
2012	35,955,000.00	17,731,466.26	53,686,466.26
2013	37,985,000.00	16,051,433.76	54,036,433.76
2014	36,110,000.00	14,350,833.76	50,460,833.76
2015	37,130,000.00	12,676,231.26	49,806,231.26
2016	38,200,000.00	10,954,373.76	49,154,373.76
2017	39,330,000.00	9,080,906.26	48,410,906.26
2018	40,530,000.00	7,149,468.76	47,679,468.76
2019	41,780,000.00	5,157,543.76	46,937,543.76
2020	29,110,000.00	3,102,112.50	32,212,112.50
2021	30,610,000.00	1,687,925.00	32,297,925.00
2022	4,625,000.00	204,368.75	4,829,368.75
2023	1,210,000.00	54,450.00	1,264,450.00
	\$629,210,000.00	\$301,478,073.91	\$930,688,073.91

EXHIBIT B

REVENUES DERIVED FROM EACH OF THE SOURCES OF REVENUE DURING THE
FISCAL YEAR ENDED JUNE 30, 2003

STATE OF SOUTH CAROLINA
State Highway Bonds – Sources of Revenue
For the Fiscal Year Ending June 30, 2002

Net Gasoline Tax	\$346,068,627.80
Fuel Oil Tax	89,145,772.68
Motor Vehicle License Tax	<u>113,035,961.69</u>
Total Revenue Sources	<u>\$548,250,362.17</u>

EXHIBIT C

ESTIMATES OF THE COMMISSION OF THE DEPARTMENT OF TRANSPORTATION
OF THE REVENUES TO BE DERIVED FROM THE SOURCES OF REVENUE IN THE
FISCAL YEAR ENDING JUNE 30, 2003 AND FUTURE FISCAL YEARS DURING WHICH
THE BONDS WILL BE OUTSTANDING

Fiscal Year Ending June 30	Gasoline Tax*	Fuel Oil Tax*	Motor Vehicle Tax**	Total Revenues
2003	\$349,529,314.08	\$90,037,230.41	\$111,450,314.38	\$551,016,858.87
2004	353,024,607.22	90,937,602.71	117,146,606.18	561,108,816.11
2005	356,554,853.29	91,846,978.74	115,965,029.86	564,366,861.88
2006	360,120,401.82	92,765,448.53	121,891,695.51	574,777,545.86
2007	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2008	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2009	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2010	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2011	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2012	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2013	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2014	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2015	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2016	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2017	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2018	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91
2019	363,721,605.84	93,693,103.01	120,662,632.06	578,077,340.91

* Gasoline Tax and Motor Fuel tax calculated at 1% growth.

** Motor Vehicle tax calculated as follows:

Truck Registration fees calculated at 2% growth (biennial).

General Fund Revenues for (Highway Patrol, Transport Police, Motor Vehicle Licensing)
were calculated at average 1% growth.

McNAIR LAW FIRM, P.A.
ATTORNEYS AND COUNSELORS AT LAW

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April 23, 2003

Dr. Delbert H. Singleton, Jr.
Secretary, South Carolina State
Budget and Control Board
612 Wade Hampton Office Building
Columbia, South Carolina 29211

Re: Not Exceeding \$50,000,000 General Obligation State Highway Refunding Bonds,
Series 2003B, of the State of South Carolina

Dear Mr. Singleton:

Enclosed are two copies of a Resolution authorizing the issuance and sale of Not Exceeding \$50,000,000 General Obligation State Highway Refunding Bonds, Series 2003B, of the State of South Carolina which I shall appreciate your placing on the agenda for consideration by the State Budget and Control Board at its meeting on May 15th.


Should the Budget and Control Board approve the Resolution, I shall appreciate your providing me six (6) certified copies.

Should you have any questions please call, and as always I appreciate your most capable assistance.

With kindest personal regards, I am

Sincerely,

McNAIR LAW FIRM, P.A.


O. Wayne Corley
Managing Partner

OWC/smm